

Annual Report and Financial Statements

# **CAVES OF BARBADOS LTD**

Year Ended 31 March 2015  
(Expressed in Barbados Dollars)

# **APPENDIX A**

**Annual report from Chairman of the Board of Directors**

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## INTRODUCTION

### Historical Background

Harrison's Cave, Barbados' most popular land based visitor attraction, is a natural karst limestone formation featuring a series of subterranean passages, with a gallery of stalactites, stalagmites, lakes, streams and waterfalls. The Cave, located in the parish of St. Thomas, is a property with innate natural heritage value. Harrison's Cave was rediscovered and mapped in 1974 by Ole Sorensen, an engineer and cave adventurer from Denmark. He was assisted by Tony Mason and Allison Thornhill, two young men from Barbados. The speleological explorations and charting paved the way for its development as a show cave during the 1970s and the cave was first opened for exhibition as a visitor attraction on 28 November 1981. By 1996 and 1997, visitors to the Cave had exceeded the initial projections of 100,000 per year, with over 190,000 persons touring the cave annually. Harrison's Cave is the only commercialized subterranean cave in Barbados, and has the distinction of being one of three (3) drive-in caves in the world.

On 19 March 1999, Caves of Barbados Ltd. (CBL) a private limited liability company, was incorporated under the (Barbados) Companies Act, Cap 308, and assumed ownership and operating responsibility for Harrison's Cave. Following the enactment of the Caves Act 2000-12 which provided for the company's control and management of caves in Barbados, CBL took over full management responsibility in September 2000.

In 2006, the Cave was closed for a major re-development project which gave birth to the facility as it is now seen. The objective of the Harrison's Cave Re-development Project was to establish an economically and environmentally sustainable basis for the operation of Harrison's Cave, through the expansion and upgrade of facilities at the site.

The key components of the Re-development Project were civil works and plant upgrades including the retrofitting of the Cave Interpretation Centre, cliff top construction of administration, visitor reception and tram storage facilities, installation of cliff side elevators, acquisition of new trams, upgrading of the environmental management facilities and systems, environmental consultancy services, land acquisition, geo-technical study and road improvement.

## New Visitor Experience

The re-developed facility was officially opened in February 2010. The new Harrison's Cave visitor experience begins at the cliff top location overlooking the valley floor where visitors are welcomed at the Visitor's Reception Centre and can purchase tour tickets and enjoy the interpretative exhibits at their leisure.

There are three options for descending from the cliff top to the valley floor; one of the two scenic trails, including our cliff trail or valley trail or one of the three state of the art glass fronted elevators.

On the valley floor, visitors enter the re-developed Cave Interpretation Centre which showcases exhibits as well as interactive displays for adults and children. Before journeying underground, they are able to learn of the history of Barbados and the formation of the Cave during a short video presentation in the multimedia room. Visitors are able to explore the valley floor on completion of the tour with its lush flora or take the self-guided scenic walk. Newly constructed kiosks are also part of the experience, which gives guests a unique shopping experience offering locally produced gifts and souvenirs.

## VISION STATEMENT

To be the premier eco-experience in the world.

## MISSION STATEMENT

We will promote and sustainably develop the National Cave of Barbados within a high quality service culture for the benefit of our patrons, employees and other stakeholders, while contributing to the economic and social well-being of the people of Barbados.

## OBJECTIVES

- a) To manage the operation of the Cave so as to attain a reasonable return on investment.
- b) To provide a high quality visitor experience through innovative approaches to the cave experience as well as through educational and interpretative offerings.
- c) To integrate the operation of the Cave into the surrounding communities by dealing quickly, effectively and fairly with community concerns and by ensuring that local residents are given the opportunity to benefit financially from the operation of the Cave.

d) To develop and maintain a system to monitor and manage visitor flows and the uses of the Cave and surrounding gullies.

## BOARD OF DIRECTORS

The Members of the Board of Directors were as follows:

- Mr. Steve Alleyne - Chairman
- Dr. Donley Carrington - Deputy Chairman
- Mr. Wren Miller - Board Member
- Mr. Villeneuve Greaves - Board Member
- Ms. Grace Ramsay - Board Member
- Mr. Olvin Forde - Board Member
- Mrs. Kristin Turton - Board Member
- Mrs. Sondra Willett-Elcock - Board Member
- Mr. Morris Lee - Board Member
- Ms. Sophia Catwell - Board Member
- Chief Town Planner or nominee
- Permanent Secretary, Ministry of Tourism and International Transport or nominee
- Director, Natural Heritage Department, or nominee

Ms. Laura Rudder performed the duties of Recording Secretary for meetings of the Board of Directors until May 2014.

Mr. Ricardo Harrison acted as Recording Secretary for meetings of the Board of Directors for June and July 2014.

Mrs. Coleen Phillips-Ashby was given the duties of Recording Board Secretary from 24 July 2014.

## SUB-COMMITTEES OF THE BOARD

There were five (5) Sub-committees of the Board

- |   |   |
|---|---|
| 1) <b>The Pension Committee</b>             | <b>Chair, Mrs. Kristin Turton</b>       |
| 2) <b>The Human Resources Committee</b>     | <b>Chair, Ms. Sondra Willett-Elcock</b> |
| 3) <b>The Technical Committee</b>           | <b>Chair, Mr. Steve Devonish</b>        |
| 4) <b>The Marketing Committee</b>           | <b>Chair, Ms. Sophia Catwell</b>        |
| 5) <b>The Finance and Tenders Committee</b> | <b>Chair, Mr. Donley Carrington</b>     |

The Chairman of the Board would be an ex-officio of all of the committees.

## CHANGE IN CHAIRMANSHIP

Following the resignation of the Chairman Mr. Nicholas Mackie at the end of the previous financial year, Mr Steve Alleyne was appointed Chairman on 1 June 2014. Mr. Donley Carrington, Dep. Chair acted in the position in the interim period, 1 April – 30 May 2014.

## MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met on eighteen (18) occasions for the financial period April 2014 to March 2015. Of these, three (3) were Extra Ordinary meetings.

<b>Board Members</b>	<i>Meetings Attended</i>
<b>Mr. Steve Alleyne</b> <i>(Chairman) Appointed June 2014</i>	<i>15</i>
<b>Mr. Donley Carrington</b> <i>(Dep. Chair)</i>	<i>17</i>
<b>Ms. Sophia Catwell</b>	<i>15</i>
<b>Mr. Olvin Forde</b>	<i>18</i>
<b>Mr. Villeneuve Greaves</b>	<i>17</i>
<b>Mr. Wren Miller</b>	<i>18</i>
<b>Ms. Grace Ramsay</b>	<i>18</i>
<b>Mrs. Kristin Turton</b>	<i>14</i>
<b>Ms. Sondra Willett-Elcock</b>	
<b>Chief Town Planner or representative</b>	<i>13</i>
<b>Director Natural Heritage Department or representative</b>	<i>17</i>
<b>Permanent Secretary Min. of Tourism or representative</b>	<i>14</i>

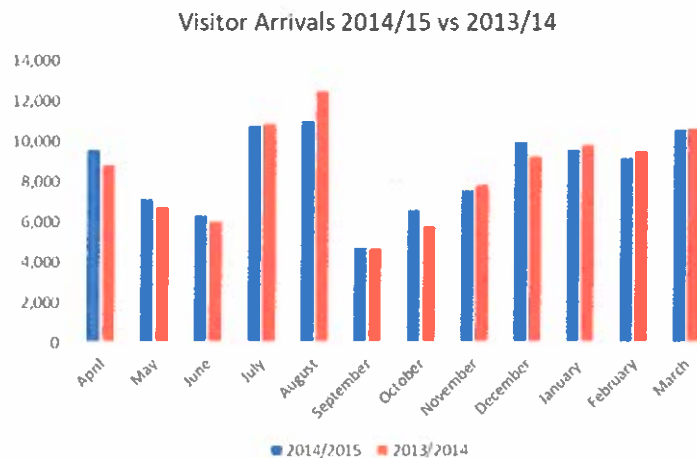
## VISITOR ARRIVALS

Visitor numbers for the reporting period totalled 102, 627 when compared to 2013/14 of 101,748, an increase of 879 visitors or 1%. The number of visitors for 2014/2015 fell below the budgeted number of 104,998 by 2, 371 or 2%.

**TABLE—VISITOR ARRIVALS – APRIL 2014- MARCH 2015**

	2014/2015	2013/2014
<b>April</b>	9,551	8,791
<b>May</b>	7,108	6,673
<b>June</b>	6,299	5,947
<b>July</b>	10,758	10,837
<b>August</b>	10,981	12,453
<b>September</b>	4,696	4,597
<b>October</b>	6,565	5,684
<b>November</b>	7,522	7,757
<b>December</b>	9,924	9,170
<b>January</b>	9,571	9,773
<b>February</b>	9,130	9,479
<b>March</b>	10,522	10,587
<b>TOTAL</b>	<b>102,627</b>	<b>101,748</b>

When compared to the previous year, monthly performance exceeded the previous year in six months of the year, namely April, May, June, September, October and December. The biggest change was seen in August which saw a decline of one thousand, four hundred and seventy-two persons.





## OPERATING ACTIVITIES

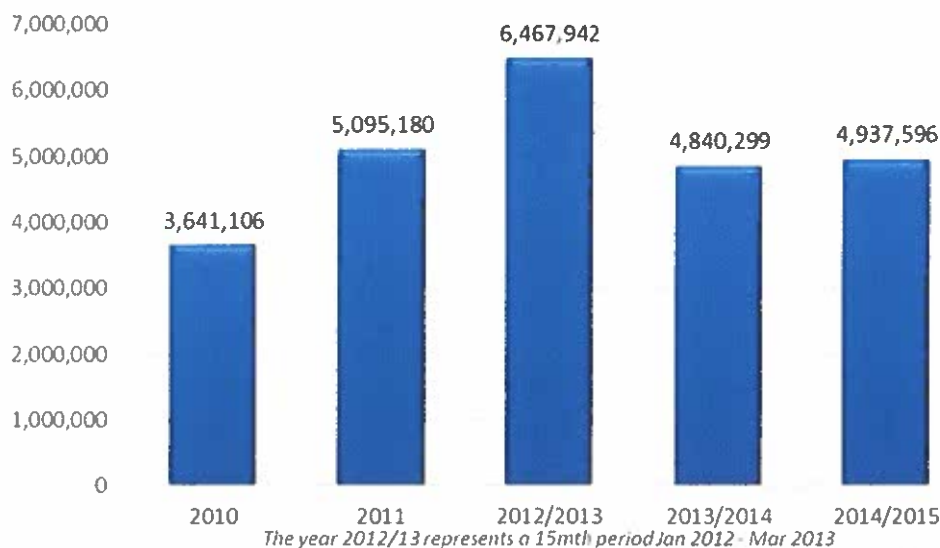
### Finance

During the year, the Cave's revenue, exclusive of the Government Grant, decreased by \$83,796. This was due primarily to a decrease in Souvenir and Gift Shop and bar sales by \$33,293 or 7% and other income by \$181,093. To offset these decreases, there was an increase in entrance fees by \$130,590 or 3% as a result of an increase in visitor arrivals as mentioned before. The cost of sales for the souvenir and gift shop decreased by \$15,084.

In 2012, in an effort to stimulate increased bookings from long stay visitors, the Resort Incentive Program was introduced to encourage bookings through hotels. A 10% commission was paid to hotels on all bookings. The hotels were allowed to retain the deposit paid by guests (equivalent of the 10% commission) as an upfront incentive. This incentive has begun to bear fruit as evidenced in the increased commissions paid for 2014/2015.

A comparison of revenue performance over the past 5 years is highlighted in the chart below. The cave was reopened to the public on 28 February 2010, which would be the reason for the lower than average revenue shown. Revenue has however remained steady throughout the subsequent years. The financial year end was changed from 31 December to 31 March, which resulted in a 15 month period January 2012 to 31 March 2013. With the changeover in accounting periods in 2012/13, this period presents an anomaly in the comparison.

**Revenue 2010 to 2015**



There was a decrease in the Government Grant from \$7,827,484 in 2013/2014 to \$7,402,809 in 2014/2015, a decrease of \$424,675 or 5%. Despite this decrease, the Cave was able to decrease operating expenses, exclusive of interest expense, employee benefits expenses and depreciation by \$338,344. This was achieved primarily due to a reduction in other general and administrative expenses by \$295,618 or 14%. The major decreases were in the following:

- Security by \$179,708 or 37%
- Repairs and maintenance by \$111,280 or 40%
- Utilities by \$27,907 or 8%
- Office expenses by \$74,238 or 49% and
- Advertising by \$75, 367 or 56%

## **Marketing**

Management of CBL has continued to seek to achieve the objectives set out for the organization, through innovative marketing and sales initiatives aimed at driving revenue earning capacity of CBL. Caves of Barbados derived its revenue mainly from its signature tram tours. Revenue was also generated through our Eco-adventure tours, walk-in tours, souvenir photos, retail gift shop, kiosk rentals, refreshment bar (Village Bar) and event and site rental.

Harrison's Cave once again participated in the Barbados Island Inclusive Program which was the summer promotion conducted by the Barbados Tourism Authority. Additionally, the resort incentive program, GoGoGo, initiated under the Premier Attractions umbrella continued in 2014/15.

The Taxi Incentive Program was re-launched in 2014 offering taxi drivers a 10% commission per guest brought to the Cave for any of our tours. The program was aimed at maximizing visitor arrivals from the cruise segment. This year was used as a pilot for the program and will be evaluated before a determination is made for the continuation.

In December 2014, Harrison's Cave was the venue for the successful Old Year's Night event hosted by Mixed Nutz called Shangri La. This event highlighted the potential of the venue to be transformed for large events.

## **Environmental Management Plan**

Environmental monitoring continued to be a part of the routine activities within the cave environment with data on air and water quality being collected from monitoring stations located throughout the Cave. The indiscriminate littering and dumping in the nearby gullies continued to occupy the attention of Management and plans to establish programmes on gullies for the staff and community, and to form relationships with community groups and government agencies to improve the management of the gullies are in train.

## **HUMAN RESOURCES**

### **Retirements**

Mr. David Carrington, Tram Driver retired effective 01 May 2014. Mr. Carrington was employed during the Cave Project in various positions as a Driver, Welder, Drilling and Exploration while the Cave was under development from 22 March 1976 to the completion of the project in October 1981. Mr. Carrington then assumed the position of Cave Tour Operator (one of the first tram drivers) with Caves Authority, the entity responsible for Harrison's Cave from 01 November 1981 and remained in this position until his retirement. Mr. Carrington was also instrumental in the testing of the new fleet of vehicles and provided invaluable insight in the design process.

Mr. Scofield Clarke, Operations Manager retired from service on 26 February 2015. Mr. Clarke joined the staff at Harrison's Cave to act in the post of Maintenance Supervisor on 6 June 1996. He was subsequently confirmed to the post of Maintenance Supervisor in March 1997 before being appointed to the post of Operations Manager in February 2000. Mr. Clarke was assigned to act as Chief Executive Officer from 28 July 2014 until the date of his retirement. During his tenure at CBL, he was instrumental in establishing a preventative maintenance program for the old fleet of trams. Mr. Clarke worked closely with the Consultants in the design, manufacture and installation of the new fleet of vehicles. While at CBL, Mr. Clarke also worked on the first photovoltaic grid system in Barbados, contributing to the design and installation of the system which was procured by BP Solar Australia.

## **Terminations**

Due to the closure of the Village Bar, the three staff members assigned to the Food and Beverage department were terminated in March 2015.

The CEO/Managing Director was relieved of her duties on 5 November 2014.

## **Pension Plan**

Following a meeting of the Cabinet Committee on Governance at Government Headquarters on 12 April 2012 re the establishment of a Pension Plan for the staff of CBL, decisions were made for:-

- i. CBL to establish a Pension Plan which will provide identical benefits to those under the Statutory Boards (Pensions) Act – Cap. 384 for employees transferred from the National Conservation Commission to the company with effect from 5th September, 2010;
- ii. The plan should be a Defined Benefit Pension Plan (DB) for the employees mentioned in (i) above, and for other current active employees who did not transfer from the National Conservation Commission but were hired by 1 October 2009. For those employees hired after October 2009, they would be eligible for the Defined Benefit Pension Plan.

As at 31 March 2015, there was still no formal pension plan in existence at the Company. The Company is expected to source a pension plan provider in the upcoming financial year.

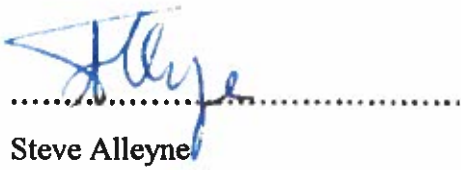
The pension plan will be funded by payments from the Company, taking into account the recommendations of independent qualified actuaries. At present, the pension obligations are funded by the pension plan bank account. The amount in the pension plan bank account at 31 March 2015 was \$2,034,045. Any surplus or deficit is recorded in the financial statements in accordance with the actuarial valuation.

**REDEVELOPMENT PROJECT**

**Land Acquisition**

CBL continues to work with the Ministry of Housing and Lands towards the completion of the land acquisition process.

Approved by the Board of Directors on the 22<sup>nd</sup> day of May, 2018 and signed on its behalf by:



.....

Steve Alleyne

Chairman

# **APPENDIX B**

**Year Ended 31 March 2015**  
**Audited Financial Statements**

# **CAVES OF BARBADOS LTD**

Year ended 31 March 2015

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## **Independent auditors' report**

To the Shareholder of Caves of Barbados Ltd

We have audited the accompanying financial statements of Caves of Barbados Ltd, which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Independent auditors' report (continued)

To the Shareholder of Caves of Barbados Ltd

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Caves of Barbados Ltd. as at 31 March 2015, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

### Other Information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 March 2015. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

22 May 2018

# CAVES OF BARBADOS LTD

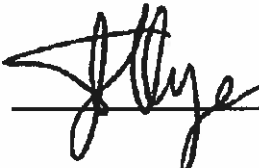
## Statement of Financial Position


As at 31 March 2015

(expressed in Barbados dollars)

	Notes	2015	2014
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank	4	\$ 1,374,775	\$ 1,227,465
Accounts receivable and prepayments	5	1,834,632	1,842,359
Inventories	6	331,836	403,495
Corporation tax recoverable		11,927	11,927
Amount due from related party	7	<u>28,458</u>	<u>1,168</u>
		3,581,628	3,486,414
<b>Non-current assets</b>			
Property, plant and equipment	8	<u>68,512,712</u>	<u>67,967,596</u>
<b>Total assets</b>		<b>\$ <u>72,094,340</u></b>	<b>\$ <u>71,454,010</u></b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	10	\$ 872,699	\$ 631,938
Due to shareholder	7	1,903,015	1,903,015
Current portion of loans payable	15	4,873,402	4,996,840
Amount due to related party	7	<u>201,237</u>	<u>201,237</u>
		<u>7,850,353</u>	<u>7,733,030</u>
<b>Non-current liabilities</b>			
Loans payable	15	38,420,386	39,908,457
Net defined benefit liability	16	<u>432,979</u>	<u>1,287,976</u>
		<u>38,853,365</u>	<u>41,196,433</u>
		<u>46,703,718</u>	<u>48,929,463</u>
<b>Equity</b>			
Share capital – 7,600,000 common shares	11	7,600,000	7,600,000
Subscription shares to be issued	12	27,709,993	27,709,993
Capital contribution by the Government of Barbados	13	4,317,224	4,317,224
Accumulated deficit		<u>(14,236,595)</u>	<u>(17,102,670)</u>
		<u>25,390,622</u>	<u>22,524,547</u>
<b>Total liabilities and equity</b>		<b>\$ <u>72,094,340</u></b>	<b>\$ <u>71,454,010</u></b>

Approved by the Board of Directors on 22 May 2018 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

The accompanying notes form part of these financial statements

# CAVES OF BARBADOS LTD

## Statement of Comprehensive Income For the Year Ended 31 March 2015

(expressed in Barbados dollars)

	Notes	2015	2014
<b>Revenue</b>			
Entrance fees		\$ 4,487,523	\$ 4,356,933
Shop and bar sales		<u>450,073</u>	<u>483,366</u>
		4,937,596	4,840,299
Cost of sales		<u>(296,699)</u>	<u>(311,783)</u>
Gross profit		4,640,897	4,528,516
Government grants	22	7,402,809	7,827,484
Other income		<u>116,772</u>	<u>297,865</u>
		<u>12,160,478</u>	<u>12,653,865</u>
<b>Expenses</b>			
Salaries, wages and benefits		3,246,173	3,288,899
Other general and administrative expenses	17	1,827,301	2,122,919
Depreciation and amortization	8	2,574,129	2,624,860
Employee benefits expense		(38,099)	182,761
Interest and bank charges		<u>1,867,415</u>	<u>2,008,219</u>
		<u>9,476,919</u>	<u>10,227,658</u>
Income for the year before taxation		<u>2,683,559</u>	<u>2,426,207</u>
Taxation		-	-
<b>Income for the year</b>		<u>2,683,559</u>	<u>2,426,207</u>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit obligation	16	<u>182,516</u>	<u>193,395</u>
Other comprehensive income for the year		<u>182,516</u>	<u>193,395</u>
<b>Total comprehensive income for the year</b>		<u>\$ 2,866,075</u>	<u>\$ 2,619,602</u>

The accompanying notes form part of these financial statements

# CAVES OF BARBADOS LTD

## Statement of Changes in Equity

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

	Share capital	Subscription for shares to be issued	Capital contributed by the Government of Barbados	Accumulated deficit	Total
<b>Balance – 31 March 2013</b>	\$ 7,600,000	\$ 27,709,993	\$ 4,317,224	\$ (19,722,272)	\$ 19,904,945
Total comprehensive income for the year	—	—	—	<u>2,619,602</u>	<u>2,619,602</u>
<b>Balances – 31 March 2014</b>	7,600,000	27,709,993	4,317,224	(17,102,670)	22,524,547
Total comprehensive income for the year	—	—	—	<u>2,866,075</u>	<u>2,866,075</u>
<b>Balances – 31 March 2015</b>	\$ 7,600,000	\$ 27,709,993	\$ 4,317,224	\$ (14,236,595)	\$ 25,390,622

# CAVES OF BARBADOS LTD

## Statement of Cash Flows

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

	Notes	2015	2014
<b>Operating activities</b>			
Income before taxation		\$ 2,683,559	\$ 2,426,207
Adjustments for:			
Interest expense		1,821,350	1,957,891
Depreciation	8	2,574,129	2,624,860
Gain on sale of property and equipment		(1,194)	-
Defined benefit plan interest and service costs		<u>(672,481)</u>	<u>182,752</u>
Operating income before working capital changes		6,405,363	7,191,710
Decrease (increase) in accounts receivables and prepayments		7,727	(97,844)
Decrease (increase) in inventories		71,659	(41,582)
(Increase) decrease in due from related party		(27,290)	2,310
Increase (decrease) in accounts payable and accrued expenses		<u>240,761</u>	<u>(260,439)</u>
<b>Cash generated from operations</b>		6,698,220	6,794,155
Interest paid		<u>(1,189,223)</u>	<u>(1,354,376)</u>
<i>Net cash from operating activities</i>		<u>5,508,997</u>	<u>5,439,779</u>
<b>Investing activities</b>			
Proceeds from sale of property and equipment		5,398	-
Purchase of property, plant and equipment	8	<u>(3,123,449)</u>	<u>(3,025,508)</u>
<i>Net cash used in investing activities</i>		<u>(3,118,051)</u>	<u>(3,025,508)</u>
<b>Financing activities</b>			
Increase in amount due to related party		-	1,492
Loan draw downs (repayments) (net)		<u>(2,243,636)</u>	<u>(2,940,146)</u>
<i>Net cash used in financing activities</i>		<u>(2,243,636)</u>	<u>(2,938,654)</u>
<b>Increase in cash and cash equivalents</b>		147,310	(524,383)
Cash and cash equivalents - beginning of year		<u>1,227,465</u>	<u>1,751,848</u>
Cash and cash equivalents - end of year		\$ <u>1,374,775</u>	\$ <u>1,227,465</u>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank		\$ <u>1,374,775</u>	\$ <u>1,227,465</u>

The accompanying notes form part of these financial statements

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

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### 1. Incorporation, ownership and principal activities

Caves of Barbados Ltd ("the Company") is incorporated in Barbados under the Companies Act and is authorized to issue an unlimited number of common shares without par value. The sole shareholder is the Government of Barbados.

The Company's mandate under the Caves Act 2000-12 is to manage and develop Harrison's Cave ("the Cave") and any other caves in Barbados. As described in Note 19, the Company is redeveloping Harrison's Cave.

### 2. Adoption of new and revised International Financial Reporting Standards

The following new and revised standards have been adopted in the current period. The adoption of these new/revised standards and interpretations did not have any effect on the financial performance or position of the Company.

- IAS 19, Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (for annual periods beginning on or after 1 July 2014)
- IAS 32, Financial Instruments: Presentation. Offsetting financial assets and financial liabilities (annual periods beginning on or after 1 January 2014)
- IAS 36, Impairment of assets: Disclosures. Amendments enhancing recoverable amounts and disclosure for non-financial assets (annual periods beginning on or after 1 January 2014)

#### Standards issued but not yet effective

- IFRS 7, Financial Instruments. Amendments resulting from September 2014 annual improvements to IFRSs (annual periods beginning on or after 1 January 2016)
- IFRS 9, Financial Instruments. Classification and Measurement (annual periods beginning on or after 1 January 2018)
- IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (for annual periods beginning on or after 1 January 2016)
- IFRS 14 – Regulatory Deferral Accounts (for annual periods beginning on or after 1 January 2016)
- IFRS 15 – Revenue from Contracts with Customers (for annual periods beginning on or after 1 January 2018)
- IFRS 16, Leases (for annual periods beginning on or after 1 January 2019)
- IAS 1 – Disclosure Initiative – Amendments to IAS 1 (for annual periods beginning on or after 1 January 2016)
- IAS 7, Statements of Cash Flows. Amendments as result of the disclosure initiative (annual period beginning on or after 1 January 2017)
- IAS 12, Income Taxes, Amendments regarding the recognition of deferred tax assets for unrealised losses (annual periods beginning on or after 1 January 2017)
- IAS 16 and IAS 38, Property, Plant and Equipment and Intangibles, Amendments regarding the clarification of acceptable methods of depreciation and amortisation (annual periods beginning on or after 1 January 2016)
- IAS 19, Employee Benefits, Amendments resulting from September 2014 annual improvements to IFRSs (annual periods beginning on or after 1 January 2016)
- IAS 23, Borrowing Costs – Amendments resulting from annual improvements 2015-2017 Cycle (annual periods beginning on or after 1 January 2019)

Management anticipates that all of the above Standards and Interpretations will be adopted in the Company's financial statements when applicable and have not yet ascertained what impact its adoption will have on the financial statements of the Company in the period of initial application.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements For the Year Ended 31 March 2015 (expressed in Barbados dollars)

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### 3. Significant accounting policies

#### Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis except for the revaluation of certain items of property, plant and equipment. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### Basis of measurement

These financial statements are expressed in Barbados dollars.

#### Going concern

These financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, to generate funds therefrom and on financing from its sole shareholder or third parties sufficient to meet future obligations. The Government of Barbados is committed to providing continual support to the Company as required in the foreseeable future.

#### Financial instruments

##### *Financial assets*

Financial assets are recognized in the financial statements when the Company becomes a party to the contractual provisions of the instruments. Accounts receivable and due from related party are classified as "loans and receivables" and are measured at amortized cost using the effective interest rate (EIR) method, less any provision for impairment.

##### *Impairment*

The carrying amount of financial assets are reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and prepayments, where the carrying amount is reduced through an allowance account. When the receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in the statement of comprehensive income.

##### *Financial liabilities and equity instruments issued by the Company*

##### *Classification as debt or equity*

Financial liability and equity instruments are classified according to the substance of the contractual arrangements entered into.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### *Other financial liabilities*

Other financial liabilities comprise bank overdraft, accounts payable, due to shareholder and amounts due to related party and are stated at cost.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

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### 3. Significant accounting policies (continued)

#### Inventories

Inventories are stated at the lower of cost or net realizable value and the method used for valuing inventories is first-in, first-out. In estimating net realizable value, allowance is made for slow moving and obsolete items.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, except for certain items transferred on 1 April 1982 from the former Caves Authority and Parks and Beaches Commission which are stated at valuation. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

Depreciation is calculated using the straight-line method at rates considered adequate to write-off the cost of depreciable fixed assets, less salvage value and accumulated impairment losses, over their useful economic lives. The annual rates of depreciation used are:

Computer equipment	-	33%
Computer software	-	25%
Fixtures and fittings	-	20%
Motor vehicles	-	20%
Trams	-	11%
Plant and machinery	-	25%
Buildings	-	2%
Specialized equipment	-	6.67%, 5%, 3.33% and 4%

If any indicators of impairment exist, the Company determines the recoverable amount for the identified assets, and if the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of comprehensive income.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

#### Revenue recognition

Revenue is recognized when the service is provided or the product is sold and is shown net of discounts and value added taxes. Funds received before the service is provided are recorded as advance deposits. Interest income is recorded on an accrual basis.



# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

*(expressed in Barbados dollars)*

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### 3. Significant accounting policies (continued)

#### **Taxation**

Taxation charge in the statement of comprehensive income comprises current and deferred taxation. Current taxation is provided on the basis of the income before taxation for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for tax purposes. The Company's liability for current tax is calculated at tax rates that have been enacted at statement of financial position date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the balance sheet liability method in respect of significant temporary differences arising from the differences between the carrying amount of an asset and liability for financial reporting purposes and the amount used for income tax purposes. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

#### **Foreign currency**

Transactions originating in foreign currencies are recorded in Barbados dollars at the exchange rates ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Gains and losses on exchange transactions are included in the statement of comprehensive income for the year.

#### **Related parties**

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence. Related parties may be individuals, government departments or corporate entities.

#### **Government grants**

Government subventions are received by Caves of Barbados to provide immediate financial support for operating expenses. The government grants are recognized in the statement of comprehensive loss in the period in which they are received.

#### **Defined benefit plan**

As at 31 March 2015, there was no formal pension plan in existence at the Company. The Company will source a pension plan provider in the upcoming financial years.

The Company plans to participate in a defined benefit pension plan. The pension plan is to be funded by payments from the Company, taking into account the recommendations of independent qualified actuaries.

The pension accounting costs are accrued using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement, so as to spread the regular cost over the service lives of the employees, in accordance with the advice of independent qualified actuaries who carry out a full valuation of the plan every three years.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

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### 3. Significant accounting policies (continued)

#### Defined benefit plan (continued)

The pension asset comprises the fair value of the plan assets out of which obligations are to be settled less past service costs and actuarial gains and losses not yet recognized and less the present value of the defined benefit obligation. The present value of the defined benefit obligation is measured using discounted future cash flows based on the interest rates of Government Securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are spread forward over the average remaining service lives of employees. The fair value of any defined benefit asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions of the plan.

#### Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

#### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### Critical accounting judgments, estimates and assumptions

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial statements. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and the underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

Other than the establishment of routine provisions against accounts receivable, accounts payable and property, plant and equipment depreciation and impairment, no significant estimates or judgments have been required in applying policies which may have a material impact on the Company's reported assets, liabilities, revenues and expenses.

#### Key sources of estimation uncertainty

The following are the assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that have a significant risk of causing a material adjustment to the amount of the assets and liabilities within the next financial year.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 3. Significant accounting policies (continued)

#### Key sources of estimation uncertainty (continued)

##### *Useful lives and impairment of property, plant and equipment*

At the end of each annual reporting period, the Company reviews the estimated useful lives of the property, plant and equipment and also assesses them to see if any has been impaired. There have been no changes to the estimates of the useful lives of property, plant and equipment and no impairment has been noted or the current period.

##### *Employee benefits*

As disclosed in Note 16, the Company has a defined benefit obligation. The calculation of defined benefit expenses and obligations requires significant judgment as the recognition is dependent on discount rates, expected rates of returns on assets and various actuarial assumptions such as the healthcare cost trend rates, projected salary increases, retirement age and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For the pension and other post-employment plans, the discount rate is determined by reference to market yields on government securities. Since the discount rate is based on currently available yields and involves management's assessment of market liquidity, it is only a proxy of future yields. Management judgment is also required in estimating the expected rate of return on assets because of possible changes to the asset allocation and the inherent risks in predicting future investment returns. The expected rate of return on assets is a weighted average of expected long-term asset return by asset class and is selected from a range of possible future asset returns. Actuarial assumption, set in accordance with current practices in the respective country of the plan, may differ from actuarial experience as country specific statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits, obligations and expenses that are recognised.

### 4. Cash and cash equivalents

	2015	2014
Petty cash	\$ 9,805	\$ 9,805
Republic Bank (Barbados) Limited – Payroll account	85,026	52,654
Republic Bank (Barbados) Limited – Current account	<u>3,313,989</u>	<u>2,496,006</u>
	<u>3,408,820</u>	<u>2,558,465</u>
Funds designated for pension benefits	<u>(2,034,045)</u>	<u>(1,331,000)</u>
	<u>\$ 1,374,775</u>	<u>\$ 1,227,465</u>

Cash and cash equivalents includes a balance of \$2,391,540 (2014 - \$1,792,125) which earns interest at 0.00% - 0.15% (2014 - 0.25%) per annum. The Directors have restricted the use of this balance to financing the redevelopment costs of Harrison's Cave (Note 19) and for funds to pay pension benefits. The funds designated for pension benefits amount to \$2,034,045 (2014 - \$1,331,000).

### 5. Accounts receivable and prepayments

	2015	2014
Trade accounts receivable	\$ 506,039	\$ 569,750
Other receivables	1,264,209	1,188,265
Prepayments	<u>64,384</u>	<u>84,344</u>
	<u>\$ 1,834,632</u>	<u>\$ 1,842,359</u>

Other receivables include an amount of \$1,254,455 (2014 - \$1,176,847) relating to VAT refunds. The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. The Company has assessed the collectability of its trade receivables and has concluded that no allowance for doubtful debts is necessary.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 5. Accounts receivable and prepayments (continued)

Of the trade receivables balance at the end of the year, \$506,039 (2014 - \$569,750) amounts of \$64,895 (2014 - \$164,460) and \$319,371 (2014 - \$258,847), are due from two of the Company's largest customers. There are no other customers who represent more than 25% of the total balance of trade receivables.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Age of receivables that are past due but not impaired

	2015	2014
30-60 days	\$ 65,243	\$ 59,817
60-90 days	684	1,140
Over 90 days	<u>84,178</u>	<u>69,245</u>
Total	\$ 150,105	\$ 130,202

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The Company has NIL (2014 - NIL) impaired trade receivables.

### 6. Inventories

	2015	2014
Shop inventory	\$ 298,084	\$ 369,743
Spare parts	<u>33,752</u>	<u>33,752</u>
	\$ <u>331,836</u>	\$ <u>403,495</u>

### 7. Amounts due from (to) related party

#### Due from related party

	2015	2014
Barbados Tourism Authority	\$ <u>28,458</u>	\$ <u>1,168</u>

#### Due to related parties

National Conservation Commission	\$ <u>201,237</u>	\$ <u>201,237</u>
Due to Shareholder	\$ <u>1,903,015</u>	\$ <u>1,903,015</u>

The Company received advances from the Government of Barbados to assist in the financing of the redevelopment of the Caves. All related party balances are unsecured, interest-free and bear no fixed terms of repayment.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 8. Property, plant and equipment

2015	Cost	Accumulated depreciation	Net book value
<b>Computer equipment</b>			
Balances – 31 March 2014	302,481	(261,149)	41,332
Additions	10,030	-	10,030
Depreciation	-	(9,774)	(9,774)
Balances – 31 March 2015	<u>312,511</u>	<u>(270,923)</u>	<u>41,588</u>
<b>Fixtures and fittings</b>			
Balances – 31 March 2014	775,389	(615,730)	159,659
Additions	14,859	-	14,859
Depreciation	-	(73,764)	(73,764)
Balances – 31 March 2015	<u>790,248</u>	<u>(689,494)</u>	<u>100,754</u>
<b>Motor Vehicles</b>			
Balances – 31 March 2014	232,676	(159,147)	73,529
Additions	-	-	-
Depreciation	-	(21,810)	(21,810)
Balances – 31 March 2015	<u>232,676</u>	<u>(180,957)</u>	<u>51,719</u>
<b>Trams</b>			
Balances – 31 March 2014	8,926,270	(6,193,652)	2,732,618
Additions	21,949	-	21,949
Depreciation	-	(812,830)	(812,830)
Balances – 31 March 2015	<u>8,948,219</u>	<u>(7,006,482)</u>	<u>1,941,737</u>
<b>Leasehold land</b>			
Balances – 31 March 2014	6,094,268	-	6,094,268
Additions	-	-	-
Depreciation	-	-	-
Balances – 31 March 2015	<u>6,094,268</u>	<u>-</u>	<u>6,094,268</u>
<b>Leasehold buildings</b>			
Balances – 31 March 2014	50,356,732	(4,118,125)	46,238,607
Additions	22,180	-	22,180
Depreciation	-	(1,007,443)	(1,007,443)
Balances – 31 March 2015	<u>50,378,912</u>	<u>(5,125,568)</u>	<u>45,253,344</u>

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 8. Property, plant and equipment (continued)

	Cost	Accumulated depreciation	Net book value
<b>Plant and machinery</b>			
Balances - 31 March 2014	12,812,387	(2,973,169)	9,839,218
Additions	219,574	-	219,574
Disposals	(4,204)	-	(4,204)
Depreciation	-	(634,509)	(634,509)
Balances - 31 March 2015	<u>13,027,757</u>	<u>(3,607,678)</u>	<u>9,420,079</u>
<b>Software</b>			
Balances - 31 March 2014	203,233	(182,624)	20,609
Additions	-	-	-
Depreciation	-	(13,999)	(13,999)
Balances - 31 March 2015	<u>203,233</u>	<u>(196,623)</u>	<u>6,610</u>
<b>Capital work-in progress</b>			
Balances - 31 March 2014	2,767,756	-	2,767,756
Additions	2,853,879	-	2,853,879
Completed	(19,022)	-	(19,022)
Balances - 31 March 2015	<u>5,602,613</u>	<u>-</u>	<u>5,602,613</u>
<b>Summary</b>			
Balances - 31 March 2014	82,471,192	(14,503,596)	67,967,596
Additions	3,123,449	-	3,123,449
Disposal	(4,204)	-	(4,204)
Depreciation	-	(2,574,129)	(2,574,129)
Balances - 31 March 2015	<u>85,590,437</u>	<u>(17,077,725)</u>	<u>68,512,712</u>
<b>2014</b>			
	Cost	Accumulated depreciation	Net book value
<b>Computer equipment</b>			
Balances - 1 April 2013	282,459	(231,112)	51,347
Additions	20,022	-	20,022
Depreciation	-	(30,037)	(30,037)
Balances - 31 March 2014	<u>302,481</u>	<u>(261,149)</u>	<u>41,332</u>
<b>Fixtures and fittings</b>			
Balances - 1 April 2013	743,069	(539,451)	203,618
Additions	35,205	-	35,205
Disposal	(2,885)	-	(2,885)
Depreciation	-	(76,279)	(76,279)
Balances - 31 March 2014	<u>775,389</u>	<u>(615,730)</u>	<u>159,659</u>

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 8. Property, plant and equipment (continued)

	Cost	Accumulated depreciation	Net book value
<b>Motor Vehicles</b>			
Balances – 1 April 2013	232,676	(112,612)	120,064
Additions	-	-	-
Depreciation	-	(46,535)	(46,535)
Balances – 31 March 2014	<u>232,676</u>	<u>(159,147)</u>	<u>73,529</u>
<b>Trams</b>			
Balances – 1 April 2013	8,873,277	(5,391,299)	3,481,978
Additions	52,993	-	52,993
Depreciation	-	(802,353)	(802,353)
Balances – 31 March 2014	<u>8,926,270</u>	<u>(6,193,652)</u>	<u>2,732,618</u>
<b>Leasehold land</b>			
Balances – 1 April 2013	5,993,854	-	5,993,854
Additions	100,414	-	100,414
Depreciation	-	-	-
Balances – 31 March 2014	<u>6,094,268</u>	<u>-</u>	<u>6,094,268</u>
<b>Leasehold buildings</b>			
Balances – 1 April 2013	50,277,122	(3,112,491)	47,164,631
Additions	79,610	-	79,610
Depreciation	-	(1,005,634)	(1,005,634)
Balances – 31 March 2014	<u>50,356,732</u>	<u>(4,118,125)</u>	<u>46,238,607</u>
<b>Plant and machinery</b>			
Balances – 1 April 2013	12,758,506	(2,357,339)	10,401,167
Additions	53,881	-	53,881
Depreciation	-	(615,830)	(615,830)
Balances – 31 March 2014	<u>12,812,387</u>	<u>(2,973,169)</u>	<u>9,839,218</u>
<b>Software</b>			
Balances – 1 April 2013	200,804	(134,433)	66,371
Additions	2,429	-	2,429
Depreciation	-	(48,191)	(48,191)
Balances – 31 March 2014	<u>203,233</u>	<u>(182,624)</u>	<u>20,609</u>

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 8. Property, plant and equipment (continued)

	Cost	Accumulated depreciation	Net book value
<b>Capital work-in progress</b>			
Balances – 1 April 2013	83,917	-	83,917
Additions	2,855,763	-	2,855,763
Completed	<u>(171,924)</u>	<u>-</u>	<u>(171,924)</u>
Balances – 31 March 2014	<u>2,767,756</u>	<u>-</u>	<u>2,767,756</u>
<b>Summary</b>			
Balances – 1 April 2013	79,445,684	(11,878,736)	67,566,948
Additions	3,028,393	-	3,028,393
Disposal	(2,885)	-	(2,885)
Depreciation	<u>-</u>	<u>(2,624,860)</u>	<u>(2,624,860)</u>
Balances – 31 March 2014	<u>82,471,192</u>	<u>(14,503,596)</u>	<u>67,967,596</u>

### 9. Bank overdraft

The Company has a bank overdraft facility of \$ NIL (2014 – \$ NIL) which is secured by a Letter of Comfort from the Ministry of Finance and Economic Affairs in the amount of \$3,000,000, guaranteeing repayment of the overdraft plus interest accrued thereon. The overdraft is subject to interest of 8.7% at 31 March 2015.

### 10. Accounts payable and accrued expenses

	2015	2014
Trade creditors	\$ 271,720	\$ 224,418
Accrued expenses	<u>600,979</u>	<u>407,520</u>
	<u>\$ 872,699</u>	<u>\$ 631,938</u>

The average credit period on trade credit purchases is 30 days. The Company has financial risk management policies in place that all payable are paid within the pre-agreed credit terms.

### 11. Share capital

#### Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

#### Issued and outstanding

	2015	2014
7,600,000 common shares, issued and fully paid	\$ <u>7,600,000</u>	\$ <u>7,600,000</u>

### 12. Subscription for shares to be issued

This amount represents funds received from the sole shareholder for which no shares have yet been issued.



# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 13. Capital contributed by the Government of Barbados

This amount represents the value of \$5,485,224 placed on the net assets of the former Caves Authority and Parks and Beaches Commission, which were transferred to the National Conservation Commission on 1 April 1982 and subsequently to the Caves of Barbados Ltd on 1 April 1999.

### 14. Taxation and tax losses

	2015	2013
<b>Taxation expense:</b>		
Provision for current year's corporation tax	\$ _____	\$ _____

The tax on the Company's income before taxation differs from the theoretical amount that would arise using the basic corporation tax rates as follows:

	2015	2014
Income before taxation	\$ <u>2,683,559</u>	\$ <u>2,426,207</u>
Taxed at tax rate of 25% (2014 - 25%)	670,890	606,552
Tax effect of allowable expenses	(13,320)	-
Tax effect of expenses not deductible for tax purposes	643,532	656,215
Tax effect of losses utilized	<u>(1,301,102)</u>	<u>(1,262,767)</u>
	_____	_____

There are tax losses of \$15,123,975 (2014 - \$16,425,077) which have not yet been agreed with the Commissioner of Inland revenue, but are not in dispute. The losses if not utilized, will expire as follows:

Year	Amount	Expiry date
2007	1,583,401	2016
2008	3,351,200	2017
2009	2,955,416	2018
2010	6,491,539	2019
2011	742,409	2020

The deferred tax asset in respect of the losses which amount to \$3,780,994 (2014 - \$4,106,269) at the current rate of tax has not been recognized in the financial statements due to the uncertainty that sufficient taxable profits will be available to allow the asset to be recovered.

### 15. Loans payable

	2015	2014
<b>Caribbean Development Bank</b>		
Current portion	\$ 4,873,402	\$ 4,633,739
Long-term portion	<u>38,420,386</u>	<u>39,908,457</u>
	\$ <u>43,293,788</u>	\$ <u>44,542,196</u>

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 15. Loans payable (continued)

	2015	2014
<b>Republic Bank (Barbados) Limited</b>		
Current portion	\$ -	\$ 363,101
Long-term portion	-	-
	-	<u>363,101</u>
<b>Total</b>	<b>\$ 43,293,788</b>	<b>\$ 44,905,297</b>

Effective 7 February 2007, the Company borrowed US\$16,866,000 (BBD \$33,732,000) from the Caribbean Development Bank under a guarantee of the Shareholder to assist with the redevelopment of the Cave. The loan bears interest at 6.25% per annum and is repayable in 56 equal quarterly instalments commencing 3 years from the date of the first disbursement on 2 June 2008. An additional loan for US\$12,850,000 (BBD \$25,700,000) was signed on 22 January 2010. A commitment charge of 1% per annum is payable on the amount of loan not drawn down.

During the year, interest of \$1,821,350 (2014 - \$1,957,891) was incurred.

Cash at bank includes a balance of \$357,485 (2014 - \$461,125) which has been designated to fund redevelopment expenditure (refer to Notes 4 and 19).

#### Republic Bank (Barbados) Limited

On 26 April 2012, the Company entered into a loan agreement with Republic Bank (Barbados) Limited (formerly Barbados National Bank) in the amount of \$2,681,000 to have off temporary increase in overdraft facility. This amount is repayable over two years in blended quarterly installments of principal and interest totaling \$368,748.33. Interest is to be charged at a rate of prime floating which is currently 8.70%. The loan was repaid during the year.

### 16. Defined benefit plan

As at 31 March 2015, there was no formal pension plan in existence at Caves of Barbados Ltd. Caves of Barbados Ltd. will source a pension plan provider in the upcoming years.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2015 by Eckler Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Year/Period ending 31 March	2015	2014
Discount rate	7.75% per annum	7.75% per annum
Future promotional salary increase	2.50% per annum	2.50% per annum
Future inflationary salary increases	4.25% per annum	4.25% per annum
Future increases in the NIS ceiling for earnings	4.25% per annum	4.25% per annum
Future increases in pensions	3.75% per annum	3.75% per annum
Mortality	UP94 at 2015 with Projection Scale AA	
Termination of active members	1% at all ages under 40 and 0.5% at ages between 40 and 50	

# CAVES OF BARBADOS LTD

Notes to the Financial Statements  
For the Year Ended 31 March 2015  
(expressed in Barbados dollars)

## 16. Defined benefit plan (continued)

Year/Period ending 31 March	2015	2014
Early retirement for active employees	5% of eligible employees each year between early retirement age and the year prior to retirement age with the remaining employees retiring at normal retirement age	
Early retirement for terminated employees	100% at earliest age	
Future expenses	Nil	

Amounts recognized in other comprehensive income in respect of these defined benefit plans are as follows:

	2015	2014
	\$	\$
Losses arising from experience	(255,733)	(296,548)
Expected return on plan assets	128,262	103,153
Actual return on plan assets	<u>(55,045)</u>	<u>-</u>
Total	<u>(182,516)</u>	<u>(193,395)</u>

The re-measurement of the net defined benefit liability is included in other comprehensive income. The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2015	2014
	\$	\$
Present value of funded defined benefit obligation	(2,467,024)	(2,618,976)
Fair value of plan assets	<u>2,034,045</u>	<u>1,331,000</u>
Net defined benefit liability	<u>(432,979)</u>	<u>(1,287,976)</u>

### Changes in the present value of defined benefit obligation

	2015	2014
	\$	\$
At the beginning of year	2,618,976	2,629,619
Current service cost	105,321	114,343
Interest cost	203,199	211,124
Actuarial (gains) losses	(255,733)	(296,548)
Benefit payments	<u>(204,739)</u>	<u>(39,562)</u>
	<u>2,467,024</u>	<u>2,618,976</u>

### Changes in the fair value of plan assets

	2015	2014
	\$	\$
At the beginning of year	1,331,000	1,331,000
Employee contributions	55,045	39,562
Employer contributions	852,739	-
Benefit payments	<u>(204,739)</u>	<u>(39,562)</u>
Plan assets at fair value at the end of the year	<u>2,034,045</u>	<u>1,331,000</u>

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

### 16. Defined benefit plan (continued)

#### Net benefit expense recognized in comprehensive income

	2015	2014
	\$	\$
Current service cost	105,321	114,343
Interest costs	203,199	211,124
Expected return on plan assets	<u>(128,262)</u>	<u>(103,153)</u>
	<u>180,258</u>	<u>222,314</u>
Impact of changes in significant actuarial assumption	2015	2014
	\$	\$
Base IAS 19 Results	2,467,024	2,618,976
Reduce discount rate by 1% p.a	2,887,201	3,058,106
Increase discount rate by 1% p.a.	2,129,023	2,266,733
Reduce salary increase by 0.5% p.a	2,227,266	2,368,853
Increase salary increase by 0.5% p.a	2,755,053	2,916,419
Increase average life expectancy by 1 year	2,500,395	2,662,094

### 17. Other general and administrative expenses

	2015	2014
	\$	\$
Ceremonial/special events	18,031	36,954
Seminars/conferences/training	337	2,038
Utilities	338,026	365,933
Insurance	464,232	457,280
Office expenses	76,247	150,485
Equipment rental	6,028	14,487
Repairs and maintenance	167,485	278,765
Security	306,450	486,158
Advertising	59,685	135,052
Other expenses	147,123	155,150
Professional fees	129,566	14,450
Board members' expenses	68,400	7,800
Membership fees	38,098	16,658
Board expenses	<u>7,593</u>	<u>1,709</u>
	<u>1,827,301</u>	<u>2,122,919</u>

### 18. Key management compensation

	2015	2014
	\$	\$
Retirement benefit costs	39,521	40,852
Short-term benefits	<u>200,271</u>	<u>144,026</u>
Total	<u>239,792</u>	<u>184,878</u>

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

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### 19. The redevelopment of Harrison's Cave

The Company is redeveloping Harrison's Cave at an estimated cost of \$84,849,000. At 31 March 2015, expenditure of \$5,602,613 (2014 - \$2,855,763) has been incurred with respect to this development (Note 8). It is a condition of the loan agreement that the Shareholder will provide additional capital in connection with the redevelopment project.

### 20. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables, bank overdraft and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, due from related party and cash and that derive directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the Company. The Board of Directors provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loan payable, due to shareholder and due to related party. The Company is not exposed to other price risk since it has no investment in equity securities,

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations. However, since the interest rate on the loan payable is fixed, the Company's exposure is insignificant.

The Company is also exposed to interest rate risk on its bank overdraft and related party balances. The Company considers this risk to be insignificant as these balances are either interest free or at fixed rates.

Interest rate risk is disclosed in notes 7, 9 and 15.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The Company major transactions are denominated in United States dollars.

At the reporting period, the significant balance denominated in foreign currency was the US\$ loan payable to the Caribbean Development Bank. The exposure to foreign currency risk is considered to be insignificant as the Barbados dollar is currently tied to the United States dollar.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

(expressed in Barbados dollars)

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### 20. Financial risk management objectives and policies (continued)

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks.

#### *Trade receivables*

Customer credit risk is subject to the Company's established policy, procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 4.

Concentration of credit risk exists if a number of clients are engaged in similar activities or are located in the same industry sector or have similar economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Management does not believe that that the concentration is unusual or provides undue risks.

#### *Financial instruments and cash deposits*

Credit risk from balances with banks is managed by management in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2015 and 2014 is the carrying amounts as illustrated in Note 4.

#### Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to meet obligations when they come due. Liquidity risk also arises from changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Company believes that it has adequate liquid funds to meet its obligations as and when they fall due and to carry out activities. In addition, the Shareholder has guaranteed the entity's major borrowings.

#### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return for stakeholders through the optimization of the debt and equity balances. The capital structure of the Company consists of debt, which includes due to related party, loan payable and the equity comprising share capital, subscription for shares to be issued, capital contributed by the Government of Barbados and accumulated deficit, as disclosed in the statement of changes in equity.

The Board of Directors reviews the capital structure on an annual basis. As a part of their review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the board, the Company will balance its overall capital structure through the issue of new debt or the redemption of existing debt and the issue or repurchase of common shares.

### 21. Fair value

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. The fair values of the Company's financial instruments are considered to approximate their book values.

# CAVES OF BARBADOS LTD

## Notes to the Financial Statements

For the Year Ended 31 March 2015

*(expressed in Barbados dollars)*

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### **22 Government grants**

The Company receives subventions from the Government of Barbados to assist with the payment of operational expenses. During the period, the Company received \$7,402,809 (2014- \$7,827,484).